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COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF PUBLIC WORKS
TRANSPORTATION PROPOSAL
FEDERAL AID PROJECTS

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MOTOR VEHICLE MANAGEMENT BUREAU

884/387

The Commonwealth of Massachusetts
Executive Office for Administration and Finance
Motor Vehicle Management Bureau

John W. McCormack Building
1 Ashburton Place, Room 105
Boston, Massachusetts 02108

TO: B. J. Rudman

FROM: Stephen Corbett,
Deputy Fleet Administrator

RE: Transportation Proposal

Attached please find the transportation proposal conducted by the Motor Vehicle Management Bureau and the Department of Public Works. In order to initiate this program the Federal Government will establish a separate Primary account and Bridge account for the purchase of Automobiles for use by department employees on Federal Aid Projects. There will be adequate written agreements between all parties and certain information has already been shared.

This document details the costs/benefits of the proposed system.

ECS/SC/JW

INTRODUCTION:

The purpose of this proposal is to review the present system for providing transportation for employees of the Department of Public Works while working on Federal Aid Projects. We have identified problem areas and have made recommendations to overhaul the present system, reduce transportation cost, improve control over vehicle utilization and reduce possible abuses of the present system. In so doing, we have endeavored to develop recommendations that are cost effective and which can be readily implemented. This has required considerable coordination and discussion with individuals at all levels of the Federal Government, DPW and the Motor Vehicle Management Bureau.

The resulting document provides a solid, practical analysis of the proposed Federal Aid projects transportation system. The MVMB believes that the proposed changes will be helpful in dramatically reducing the current cost of the transportation system as well as provide better control over the system. As good as the proposed plan is, the success of the program depends in its implementation and control by the DPW and the MVMB.

THE EXISTING FEDERAL AID PROJECT TRANSPORTATION SYSTEM

Presently, a contractor who has the particular primary or bridge contract is informed by DPW how many vehicles they will need on the specific project. He, the contractor, will then purchase "X" amount of vehicles for the duration of the project as specified by DPW. When the vehicle is purchased by the contractor for the Federal Aid Project the contractor includes a credit card for use with the vehicle. The vehicle's usage is paid for by the Federal Government thru DPW who then pays the contractor. The contractor selects any model or style vehicle that he wishes and registers the car with conventional state plates. When the Federal Aid Project is completed the vehicles are returned to the contractor. The current transportation system opens the Federal and State parties to possible abuses by the recipients of these vehicles.

The Federal Government solicited state assistance in eliminating this practice and to reduce costs.

TRANSPORTATION COST OF EXISTING FEDERAL AID PROJECT

The following is a cost analysis of the present system. The DPW estimates their immediate need for 110 vehicles required for Federal projects in FY'88.

Budget cost per vehicle per month - - - - - - - - - - - $664

Number of vehicles - 110

To demonstrate the cost for one (1) vehicle to the Federal Government for one (1) year's time:

$664 x 12 months = $7,968 per vehicle per year.

The total cost for FY'88 for 110 vehicles will be:

$7,968 x 110 vehicles = $876,480 total transportation cost FY'88.

The Federal Government will spend $876,480 to accommodate the transportation needs for DPW in FY'88.

MVMB PROPOSED TRANSPORTATION SYSTEM FOR FEDERAL AID PROJECTS

The following is a cost analysis of the projected plan as proposed by the Federal Government, DPW and the MVMB. This system would replace the current practice of having contractors provide vehicles to the DPW for projects.

VEHICLE PURCHASE COST

110 vehicles x $9,300 per vehicle - - - - - - - - - - -	$1,023,000
Deduct $300 trade-in value after 4 year's use - - - -	33,000
Net purchase price - - - - - - - - - - - - - - - - - - -	990,000
Purchase price amortized for 4 years - - - - - - - - -	$ 247,500

FUEL COST [Requires an increase in MVMB fuel account (1102-5211-10)]

16,500 miles/year (Est.) x 110 (veh) - -1,815,000 miles

1,815,000 miles divided by 24 MPG - - - 75,625 gallons

75,625 gallons x $.65 per gallon - - - - - - - - $49,156

REPAIR AND MAINTENANCE

$330 (average cost) x 110 vehicles - - - - - - - - - $36,300

MISCELLANEOUS COSTS

Agency miscellaneous costs are made up of administrative costs, fringe benefits, rental overhead, car washes and license plates.

(a) Administrative Costs

$408,111 bureau administrative costs divided by 1,910 (total vehicles in agency) = $213.67 per vehicle per year.

110 (vehicles) x $213.67 (Pro-Rata cost per year) = $23,503

(b) FRINGE BENEFITS:

$315,956 [(administrative salaries) x 41% (established benefit)] * = $129,541

$129,541 divided 1,910 (vehicles) = $67.82 per vehicle
110 (vehicles) x $67.82 = $7,460 per year.

(c) RENTAL OVERHEAD:

2,024 (S.F. office space) x $7 per S.F. = $14,168 per month

$14,168 (cost per month) x 12 months = $170,016 per year

$170,016 divided 1,910 (total vehicles) = $89 per vehicle

110 x $89 = $9,790 per year.

*Established figure from Budget Bureau

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(d) CAR WASHES:

$4 (per car wash) x 2 (twice a month) = $8 per mo/per vehicle

$8 x 12 months a year x 110 (vehicles) = $10,560 per year

(d) REGISTRATION PLATES:

$1.40 (per Plate) x 2 (plates per vehicle) x 110 vehicles = $308

The total cost to implement the new system per year would be a combination of that year's amortized purchase cost, the fuel cost, the repair and maintenance cost and miscellaneous costs.

Let's recap those annual costs that go into the proposed transportation system. They are as follows:

Purchased Price (amortized over 4 years)	-$247,500
Fuel Costs	-$ 49,156
Repair & Maintenance Costs	-$ 36,300
Administrative Costs	-$ 23,503
Fringe Benefits (Admin. salaries)	$ 7,460
Rental Overhead	$ 9,790
Car Washes	-$ 10,560
Registration Plates	$ 308
Total Cost (to be reimbursed by the Federal Government)	$384,577

COMPARISON OF BOTH TRANSPORTATION SYSTEMS

By comparing the proposed system costs and the existing costs we can see that the MVMB system would create a $491,903 cost reduction to the Federal Government.

This is reflected as follows:

Current transportation costs - - - - - - - - - - - - - - - $876,480

Deduct proposed transportation costs - - - - - - - - - - $384,577

Cost reduction to Federal Government - - - - - - - - - - $491,903

REIMBURSEMENT BY FEDERAL GOVERNMENT TO THE COMMONWEALTH

The Commonwealth would be reimbursed for the use of the vehicles in a manner similar to that presently used by the DPW for other MVMB leased vehicles. A daily rental charge and per mile charge would be levied for each vehicle used for Federal Aid Projects. This charge would be paid to the General Fund by the Federal Government through the DPW and will consist of adequate funding, over the life of the vehicle, to pay for the purchase, repair and maintenance and fuel usage etc..

Fuel

16,500 x $.09 (mileage charge) x 110 (vehicles) = $163,350 a year

DAILY RENTAL

365 (days in year) x $5.51 (daily rental Charge) x 110 (vehicles) = $221,227 a year

Total annual charges to be paid by the Federal Government $384,577

Benefits of Proposed System vs Existing System:

In addition to the obvious cost reduction that the Federal Government will realize there are also other benefits for adopting this proposed system. The proposed system will exercise considerably more control over the utilization of its vehicles. It should be pointed out that most Federal Aid Projects last an average of 14 months. When these projects end, the construction vehicles can be redeployment to existing and new Federal Aid Projects. This is a feature that was not available in the previous transportation system. The vehicles are currently turned-in to the contractor at the end of the project and new vehicles purchased for new Federal Aid Projects. These current vehicles were not being properly utilized from a logistical and economical standpoint.

This will also reduce the overall transportation cost of the project for both the State and Federal Authorities by $491,903.

A major concern of the Federal Government was the elimination of possible personal abuse of the vehicles. The proposed system will address these concerns. In the first case, all vehicles will be equipped with specially numbered license plates for easier identification. This will enable all interested parties to determine immediately that a vehicle is a Federal Aid Project vehicle and that it is being properly utilized. In addition both DPW and MVMB will oversee the mechanisms of implementation and redeployment of these vehicles. All vehicles will be subject to the rules and regulations of MVMB, which will be strongly enforced. This is not present in the current transportation system but is in the proposed system.

CONCLUSION:

The current transportation system is costly, lacks control and creates legitimate concern over probable abuses of the system. The proposed system will realize a substantial cost reduction to the Federal Government, exercise greater control over redeployment and utilization of the vehicles and eliminate concerns over misuse of Federal Aid Projects' vehicles.

In consideration of all the positive aspects that the proposed transportation proposal puts forth, I propose that we adopt the new transportation system for Federal Aid Projects as soon as possible.